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29 October 1971

Economic and Military Reconstruction in
North Vietnam During September 1971

This monthly report reviews economic developments within North Vietnam, including the receipt of economic and military aid and the construction of military facilities. These developments are selected on the basis of their relevance to North Vietnam's ability to continue supporting the war in Indochina and to restore the economy, and thus to their possible effect on the country's desire or need to negotiate a settlement of the current conflict.

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Flood Situation

1. At mid-October, some two months after floods initially swept over the Red River Delta, North Vietnam has made limited progress in recovering from the damage and disruption. Most of the delay is due to the long period of inundation, with a large part of the area flooded in August still under water at the end of September. While the rainy season still posed a threat during September repair of the primary dikes was mandatory and seems to have employed all available manpower, including military units. Equal priority has been devoted to clearing the country's main rail arteries and photography indicates that this task probably was accomplished by early October. Photography shows breaks in the secondary road system too numerous to count. A continuing reconstruction effort will be required on these secondary arteries because they also are essential for orderly commerce.

2. It is now clear that agricultural prospects are viewed by the Regime with considerably less optimism than was the case a month ago. In flooded areas, the stress given earlier to replanting damaged rice has shifted to planting secondary crops on any available dry land. According to a recent statement by Hoang Quoc Tinh, Minister of Domestic Trade, flooding has both prevented fulfillment of the 10th

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month rice acreage plan and generally diminished planned rice yields. Moreover, he claimed that replanting of seedlings on damaged land was possible only on a limited scale. To make up for the losses Thinh announced the institution of a "winter crop", an addition to the spring and autumn crops. The winter crop will consist basically of secondary crops that can be harvested in 50 to 80 days. Successful execution of this program will depend in part on increasing the acreage in miracle rice strains that, because of the shorter growing period, can be planted during December-January. The traditional spring rice normally is sown concurrently with harvesting of 10th month rice in October-November.

3. Another critical problem affecting agriculture in coming months will be clearing washed out or silted-in irrigation and drainage ditches and restoring flooded pumping stations, a great number of which appear to have been damaged. In their normal mode of operation, pumping stations remove water from fields during the wet season and provide the water essential for irrigation during the dry season. Although the full extent of damage has not been assessed, photography shows considerable breaching of irrigation canals that will have to be repaired before they can channel water from the rivers to distant fields in the countryside. To some degree silt will have collected in practically all irrigation canals

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in flooded areas, effectively blocking the passage of water. Reconstruction of agricultural facilities could take up to one year, in which case both the 5th month and 10th month rice crops in 1972 will be affected. Manpower for part of the clean-up effort apparently will be obtained from the schools at the cost of academic achievement. On 27 September, Nhan Dan printed a directive ordering students to participate in flood recovery work and informed them that they would be graded according to their constructive efforts.

4. Other effects of the flood have largely been brought under control. Most industrial production operations probably were resumed well before the end of September although some remained idle due to transportation bottlenecks. Press statements report that a few factories were still out of operation as late as mid-September, and photography [REDACTED] shows that the entire Viet Tri Chemical Complex and the Phu Tho Fertilizer Plant were idle, possibly due to cuts in the Hanoi-Lao Cai rail line. The amount of down-time suffered generally by industry cannot yet be measured with confidence, but the period seems likely to have lasted from 2 to 4 weeks. The Regime appears to have acted quickly and effectively to stem hazards to health and the outbreak of epidemics. Press reports indicate that some flood victims are living in makeshift housing but, on balance, there seems to be no serious health threat to the nation.

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Military

5. Recent evidence indicates that North Vietnam has received 5 to 10 SAM battalions worth \$20 million to \$40 million from the USSR, the first deliveries of this type of equipment since 1968. The delivery of additional SAM equipment apparently was precipitated by Lam Son 719 and the threat of an invasion of North Vietnam. Between the beginning of February and the end of May, 7 SAM battalions were moved from the Hanoi-Haiphong area to the southern panhandle to augment the force of 13 battalions already deployed there. The drawdown of SAM battalions in the Hanoi-Haiphong area evidently was only temporary because photographic coverage [redacted] revealed the presence of 22 battalions, roughly the same number that had been deployed in the area for several years.

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6. Sketchy evidence [redacted] indicates that the USSR moved swiftly to replace the missile battalions deployed to the south.

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The delivery

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of 5 to 10 SAN battalions together with other Soviet contributions of arms and ammunition -- notably tanks -- almost certainly means that military aid deliveries from the USSR during 1971 will exceed the 1970 level of \$70 million and break a 3-year downward trend. It also provides further indications that Hanoi still has the full support of the USSR for the war effort.

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7. Induction into the North Vietnamese army rose sharply in August

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The existence of a major recruiting drive in August is confirmed by numerous press articles during the month, several accompanied by photographs of recruits departing for induction centers.

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Those called up in August should be ready for infiltration in 3 to 6 months and together with the men called up in May should provide a substantial pool of manpower to feed the infiltration pipeline during the early months of the 1971-72 dry season.

Construction

8. The Thac Ba hydroelectric powerplant reportedly produced its first current on 29 September. This project was built with Soviet material and engineering assistance and represents an investment of some \$40 to \$50 million.

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It is the largest Soviet aid project in North Vietnam and will be the largest powerplant in the country. The plant's installed generating capacity of around 110,000 kilowatts (kw) compares with roughly 140,000 kw now operating, and a prebombing capacity in the electric power industry of 187,000 kw. Barring some unforeseen difficulty the plant's three generating units all should be in service by the end of 1971, virtually eliminating the system of power rationing that has been necessary since 1967. Capacity made available by Thac Ba also will provide the cushion necessary to systematically overhaul and restore bomb-damaged plants throughout the industry while keeping abreast of increasing demands for electricity.

9. Another kiln has been put into operation at the Haiphong Cement Plant. Photography in late September shows that 6 out of 7 cement kilns currently are serviceable, increasing the plant's capacity to almost 90% of the prebombing level. Work on the final kiln also is in progress although several months probably will be needed to complete the restoration.

10. Continuing improvement in the production capability of the Thai Nguyen Iron and Steel Complex in October is indicated

The steel complex is believed

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to have produced pig iron only intermittently during the past 18 months but now may be capable of sustained operation. Prebombing exports of pig iron amounted to 48,000 tons but ceased in the spring of 1967 due to bomb damage.

25X1 11. Photography [] shows that the third new berth on the extension of Haiphong's Chamber of Commerce Wharves has been put into operation. The rate of construction has slowed considerably since 1969, the first full year of work on the project. Two new berths were added in 1969 but none in 1970. Construction of the new quay wall is proceeding beyond the third berth. Assembly of the fifth portal crane has been completed and it is apparently identical to the previous four. This crane moves on short tracks perpendicular to the crane tracks along the new quay wall upon which the first four ride. A sixth crane, different from the other five, has also been observed on perpendicular tracks. Four additional lattice booms similar to the one on the sixth crane are in the port area, suggesting that four additional cranes are planned for assembly.

Foreign Aid

12. Soviet President Podgorny's visit to Hanoi in early October resulted in military and economic aid agreements as had been anticipated. The only significant variation in the agreements on this occasion was the establishment of the

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Vietnam-Soviet Joint Committee on Economic, Scientific and Technological Cooperation which it was claimed will "strengthen" economic relations between the two countries. It may be recalled that in January 1971 aid agreements belatedly signed with East Germany, Hungary, and Poland included the formation of similar economic-scientific committees with each of the three countries, amid reports that these countries were dissatisfied with North Vietnamese utilization of aid. While there is no evidence that Communist countries intend to withhold aid from North Vietnam, nevertheless formation of the joint committees might well be the result of insistence by donor countries on a more thorough justification for aid requests.

Trade

13. North Vietnam's seaborne imports failed to recover in September from their seasonal summer doldrums. They declined, for the third consecutive month, to about 101,000 tons, the lowest volume since August 1970 (see the following tabulation).

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	1,000 Metric Tons			
Imports	September 1971	Percentage Change	August 1971	Monthly Average January-August 1971
Total	101.1	-26	136.2	174.6
Food	30.0	- 9	33.0	45.6
Fertilizer	11.8	-42	20.4	27.1
Petroleum	8.3	- 8	9.0	31.5
General and Miscellaneous	51.1	-31	73.7	70.4

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16. In contrast to imports, seaborne exports jumped sharply to 77,100 tons, the highest level since December 1969 (see the following tabulation).

	1,000 Metric Tons			
	<u>September 1971</u>	<u>Percentage Change</u>	<u>August 1971</u>	<u>Monthly Average January-August 1971</u>
Total	77.1	+86	41.5	55.5
Coal	58.0	+110	27.6	39.6
Apatite	-	-100	2.4	4.0
Cement	1.4	+17	.4	.2
General and Miscellaneous	16.7	+67	10.0	10.1

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17. Thirty-six ships, two of them tankers, arrived at North Vietnam's ports in September, eight less than in August. An average of 15 foreign ships were in Haiphong on a given day, one less than in the previous month. Turnaround times for departing dry cargo ships, which averaged 20 days, were also close to the August level. One Bulgarian ship, the Tzanko Tzerkovski, departed Haiphong on 3 September after a stay of 52 days, the longest layover of any ship this year. There was no problem with tanker congestion as only two arrived during the month.

Conclusions

18. North Vietnam's progress thus far in recovering from flood damage has been hindered by the long period of inundation. At mid-October main rail arteries had been put back into service but a great deal of damage remained to secondary road systems. Hopes of salvaging or replanting damaged autumn rice crops have largely vanished and the

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Regime plans to make up for losses by instituting a winter crop of secondary foods, and by increasing the share of miracle rice in next year's spring crop. Success of these plans will hinge significantly on reconstruction of the pervasive damage to irrigation systems. Enlistment of students for flood recovery work attests to the urgency of reconstruction efforts in coming months.

19. Military requirements continue to receive high priority. A major drive to induct men into the army during August could support substantial infiltration during the first part of the dry season. Receipt of new information indicates that the country's defensive capabilities have been enhanced by the deployment of 5 to 10 SAM battalions in the Hanoi-Haiphong area to replace SAM units transferred to the southern panhandle last spring.

20. A major constraint on industrial development was removed with initial operation of the Thac Ba hydroelectric powerplant. This plant's capacity is sufficient not only to dispense with power rationing, but it will enable overhaul and reconstruction of bomb-damaged coal burning powerplants. Construction progress at the Haiphong Cement Plant has now restored 90% of capacity. New berthing space in the port of Haiphong, and particularly the installation of cargo-handling cranes, steadily increases the port's potential to load or discharge seaborne cargo.

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21. The new Soviet aid agreement signed in October indicates continued support for North Vietnam's policies. However, formation of an attendant economic-scientific committee hints of more stringent conditions for aid. Seaborne imports remained low in September and the usual seasonal upturn failed to take place. Unidentified imports again were confined predominantly to Communist Chinese shipping. North Vietnamese exports showed a significant increase due mainly to shipments of coal to Japan.

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TO:			
ROOM NO. 4F41	BUILDING		
REMARKS:			
FROM:			
ROOM NO.	BUILDING	EXTENSION	

FORM NO. 241
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